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**BRIEF**

# Hedge Funds

NEWS, ANALYSIS AND COMMENTARY

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## Ex-D.E. Shaw's Rueven Starts Fund Backed by Swieca

BY HEMA PARMAR, BLOOMBERG BRIEF

**Mony Rueven**, a former managing director at D.E. Shaw, has started New-York-based **Kinneret Group**, a quantitative hedge fund firm backed by Highbridge Capital co-founder **Henry Swieca**, according to an individual familiar with the matter.

Swieca is one of six investors in Kinneret1, the long-short equity fund that started trading Nov. 1, the person said. Rueven started the firm in 2011 and spent 2.5 years developing and refining its strategy, which manages \$58 million and returned 18 percent in its first eight months, the person said.

Shannon Doherty, a spokeswoman at Talpion Fund Management, the hedge fund Swieca started in 2009, confirmed Swieca's investment in the fund and declined further comment. Lauren Kaplan, vice president of Kinneret Group declined to comment.

The fund bets for or against S&P 500 stocks based on five proprietary investing themes, according to a marketing document, a copy of which was obtained by Bloomberg. The themes are company-reported financial information, Wall-Street reported information, forecasts of a stocks future price trends, analysis of a stocks virtual health and a stock's position on its trajectory. It makes an investment only if its models can determine the five themes "as being uniformly positive (long) or uniformly negative (short)," according to the document.

Rueven has 30 years of experience in the financial sector and has managed about \$10 billion in total assets, the document said. He was previously senior managing director at Knight Capital Group.

The six-person firm includes **Alexander Wang**, former D.E. Shaw partner in charge of its U.S. proprietary equities desk, who is Kinneret's chief scientist, according to the document, and D.E. Shaw senior vice president **J. Andrew Lindholm**, who is the new firm's chief operating officer, general counsel and chief compliance officer.

The minimum investment amount is \$5 million and the fund's prime broker is Morgan Stanley, according to the person.

## Ex-SAC's Carl Fantasia Said to Start TMT Fund

**Carl Fantasia**, formerly a money manager at Steven A. Cohen's SAC Capital Advisors, is starting a hedge fund focusing on technology, media and telecom investments, according to three people with knowledge of the matter.

**Ferry Street Capital**, based in Boston, will bet on and against stocks in those industries, said the people. The fund is seeking money from outside investors after gathering capital from friends and family, said the people.

Calls to Fantasia were not returned.

Fantasia has teamed up with **Craig Foscaldo** to start the new fund. Foscaldo was chief financial officer at Boston-based Sirios Capital Management.

Fantasia joins an expanding pool of money managers who worked for Cohen's Stamford, Connecticut-based firm that have gone on to create their own hedge funds. Fantasia left in October after SAC Capital, now Point72 Asset Management, shut its Boston office. Former SAC Capital money manager Gabriel Plotkin, a consumer stocks specialist, began Melvin Capital last year with about \$700 million in assets. Darius Brawn planned to open a new hedge fund at the Endicott Group to outside money in April, said a person with knowledge of the plans in March. Eric Evans, who worked at SAC's CR Intrinsic and traded health-care stocks, also started his own hedge fund this year.

Fantasia previously tried to start his own hedge fund, but abandoned efforts after struggling to gain traction in the wake of the financial crisis. He joined SAC Capital in 2010 where he managed investments in technology, media and telecommunications.

— Sabrina Willmer and Simone Foxman, Bloomberg News

## INSIDE

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## TWEET OF THE WEEK



**Dan Benton**  
[@DanBenton](#)



"I can't wait until earnings season." Really? This is my 119th - they don't get easier. [#becarefulwhatyouwishfor](#)  
[Details](#)

## RETURNS IN BRIEF

Hedge funds posted declines in June as Chinese equities fell and uncertainty over the Greece referendum contributed to losses, particularly among systematic trend-following commodity trading advisers and macro strategies, according to [data](#) from Chicago-based **Hedge Fund Research Inc.** The HFRI Fund Weighted Composite Index declined 1.3 percent in June, the worst monthly decline since June 2013, paring annual gains to 2.4 percent.

■ **Leda Braga**, who started Geneva-based **Systematica Investments Ltd.** at the beginning of the year, saw her main fund tumble 8.4 percent in June. Braga, who started the \$8 billion firm after spinning out of Michael Platt's BlueCrest Capital Management, is now down 3 percent in 2015 in the BlueTrend fund, according to the firm.

■ **Cantab Capital Partners**, co-founded by former Goldman Sachs Group Inc. quantitative strategies head **Ewan Kirk**, lost 8.6 percent in its quantitative program in June, according to people familiar with the Cambridge, England-based firm. The \$2.7 billion fund is down 6 percent for the year, said the people.

— Katherine Burton and Saijel Kishan, Bloomberg News

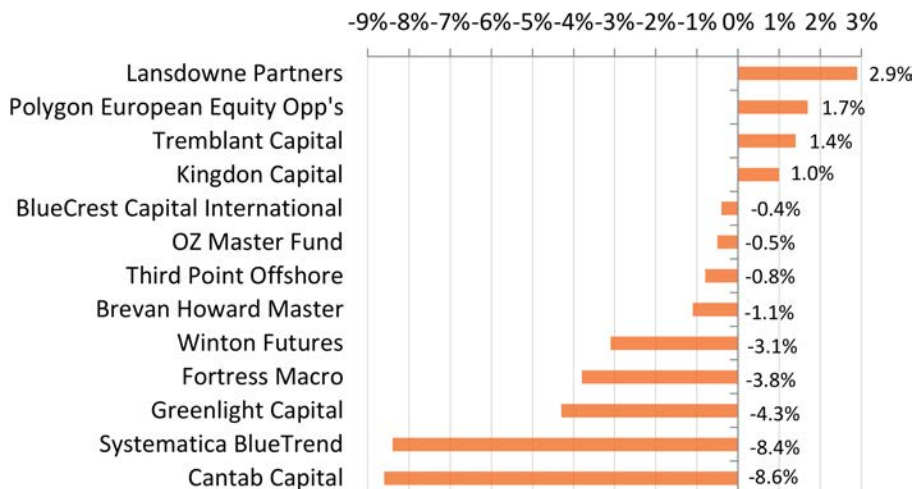
■ **Brevan Howard Asset Management's** Master Fund, run by the Jersey-based firm's billionaire co-founder **Alan Howard**, lost 1.1 percent last month, cutting the year's gain to 1.6 percent, according to a person familiar with the matter. The \$21.7 billion fund declined 0.8 percent in 2014, its first annual loss since starting in 2003.

■ **BlueCrest Capital International**, led by **Mike Platt**, dropped 0.4 percent last month, extending a decline to 2.8 percent at the year's midway point, according to a person with knowledge of the returns. **BlueCrest Capital Management's** fund gained 0.1 percent in 2014.

— Will Wainwright, Bloomberg Brief

■ **Kingdon Capital Management's** largest hedge fund, which trades stocks across industries, gained 1 percent in June, according to a person with knowledge of the matter. That fund has advanced 13 percent this year, said the person. Four of the firm's 10 largest stock positions at the end of the first quarter were health-care companies, according to data compiled by Bloomberg. The New York-based fund manages \$2.6 billion

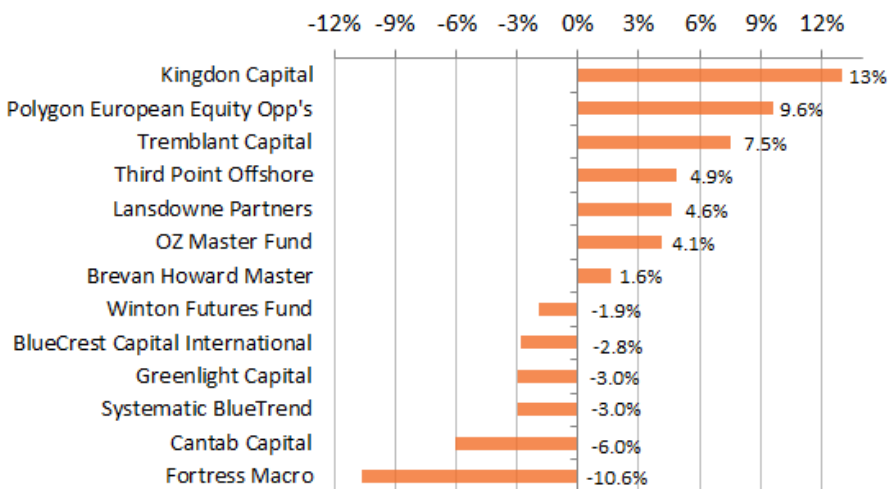
### June Performance, Selected Hedge Funds



Source: Bloomberg

BloombergBriefs.com

### Year-To-Date Returns



Source: Bloomberg

BloombergBriefs.com

and was started by **Mark Kingdon**.

— Simone Foxman, Bloomberg News

■ **Fortress Investment Group LLC's** macro hedge fund lost 3.8 percent in June, extending losses this year to 10.6 percent, according to a regulatory filing.

The fund's losses this year included a 7.9 percent decline in the first half of January fueled by a wrong-way bet on the Swiss franc, according to a person familiar with the firm.

— Katherine Burton, Bloomberg News

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### Mark Asset Management Passes 30th Anniversary



Morris Mark

**Mark Asset Management**, the \$500 million firm launched by **Morris Mark**, reached the 30th anniversary of its flagship fund, Mark Partners, on July 1.

"We've gone from being just a small group of intensely interested investors to a group of intensely interested investors with good support and depth," Morris Mark said in a July 13 phone interview with Bloomberg Brief.

The long-biased equity fund, which launched July 1, 1985, has returned an annualized 15 percent including 5.4 percent in the first six months of 2015, according to a person familiar with the matter.

The New York-based firm remains

bullish on the Chinese economy, even after last week's selloff in the Shanghai Composite Index, it said in its quarterly letter to investors, a copy of which was obtained by Bloomberg Brief.

"With the Chinese government also reducing interest rates and making business credit more freely available, we doubt very much the recent decline is likely to have a significant adverse effect for that economy," Mark wrote in the letter, adding that the firm's positive outlook on investing in businesses that serve the Chinese consumer is "still valid." The firm invests in companies that indirectly serve China's consumer economy like Apple and Nike, as well as in Chinese companies that are listed in the U.S., according to the letter.

Mark Asset Management sold its remaining stakes in Yahoo! and Chipotle, according to the letter. It acquired

Chipotle in 2014 "at an average price of \$538 per share" and sold "at an average of \$657 per share," the letter said. The decision to sell was due to shares trading at "a high P/E multiple," slowdown in the rate of sales growth per restaurant and Chipotle not moving forward with some of the new franchises it has been testing.

Mark Asset Management separately said it hired **Andrew Kohn** from JAT Capital as trader/research liaison, according to the letter. Kohn spent four years at JAT as a trader and prior to that, four years at TCS Capital Management, according to his LinkedIn page.

The firm also advises three managed account strategies: Mark Long-Only which was launched in 1987; Mark Focus, a concentrated, long equity strategy; and Mark Growth and Income, which focuses on income-generating stocks.

— Hema Parmar, Bloomberg Brief

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## LAUNCHES

### Ex-Janus Analyst Klein Said to Start Exeter Creek



Craig Klein

**Craig Klein**, a former global credit analyst at Janus Capital Group Inc., is starting a hedge fund firm to invest around corporate events.

Klein has been raising money for the new firm, called **Exeter Creek LLC**, according to a person briefed on the matter. The fund will invest in stocks and bonds of companies involved in mergers, acquisitions, spin-offs, distress and special situations, the person said.

Klein declined to comment on his plans.

Klein worked at Denver-based Janus Capital from 2012 until October, specializing in distressed and special situations investments. He was previously an executive director in UBS AG's Special Situations Group from 2009. A spokesman for Janus did not

immediately comment.

His new fund will target returns of 15 percent to 20 percent, according to the person. In addition to opportunistic bets around corporate events, Klein's strategy intends to profit from short-term wagers on credits.

— Simone Foxman, Bloomberg News

### Golden Equator Starts Long-Short Quant Fund

**Golden Equator Capital Pte** is starting a quantitative hedge fund as it expands beyond traditional wealth management.

The Singapore-based asset management firm is testing the long-short equity fund to bet on or against stocks in Europe, Japan and the U.S., Golden Equator founder and Chief Executive Officer **Shirley Chua** said in an interview on July 10. The Golden Equator Multi-Strategy Income Fund is expected to start with S\$50 million (\$37 million) in the fourth quarter and targets annual returns of 12 percent.

The fund will be Golden Equator's fourth as the company is developing from a family office to an asset manager investing in Asian technology startup firms, global equities and real estate. Golden Equator also has a fund focusing on technology startup companies, a real estate fund and a vehicle investing in emerging companies.

Golden Equator currently has S\$160 million in assets under management and expects to double that amount within the next 12 months, Chua said. Its clients include 25 families and wealthy individuals, mainly from Asia. Before setting up Golden Equator, she assisted high-net-worth clients as a director at Citigroup Inc. in Singapore.

The investment firm's technology startup vehicle, the Golden Equator Technology and Innovation Fund, started in March and seeks to raise a total of S\$60 million, Chua said. The venture capital fund is expected to invest in about 20 companies.

Apart from the asset management activities, Golden Equator has a consulting unit, which employs about half of the firm's 29 staff, Chua said.

— Klaus Wille, Bloomberg News

### TCW Teams Up With Gargoyle to Start Liquid Alts Fund

**TCW Group**, best known for managing bond funds, said it's teaming up with **Gargoyle Investment Advisor LLC** to push into alternative mutual funds.

The firm's first hedge-fund-like mutual fund, the TCW/Gargoyle Hedged Value Fund, will attempt to offer capital appreciation with less volatility than a traditional stock portfolio, Los Angeles-based TCW said in a statement. The fund will be run by **Joshua B. Parker** and **Alan L. Salzbank** of Gargoyle, which specializes in hedged strategies.

TCW also said it formed TCW Alternative Funds, a new family of mutual funds, anticipating that demand for such strategies will increase.

TCW manages about \$180 billion. Its best known fund, the \$66 billion Metropolitan West Total Return Fund, beat 92 percent of rivals over the past five years, according to data compiled by Bloomberg.

— Charles Stein, Bloomberg News

### FROM THE MINUTES

■ **City of Philadelphia Pension Fund** at its May 27 investment committee meeting discussed a previously-requested analysis of hedge fund fees by its consultant Cliffwater. The pension is "paying too much for what they are getting," with about half of its managers "at an acceptable level," according to meeting [minute](#) statements attributed to Cliffwater's Stephen Nesbitt. The consultant's expectation "for a good performing program was the gross excess return [alpha] of at least 60 percent to the investor and no more than 40 percent to the manager." Philadelphia separately approved motions to terminate Caspian Select Credit International and Beach Point Total Return Fund due to "market correlation, along with the managers taking a lot of the alpha."

■ **City University of New York** has amended its investment [policy](#) to increase its target allocation to hedge funds to 18 percent from 13 percent, with a range of 10 percent to 25 percent, according to [minutes](#) from its May 4 board of trustees meeting. CUNY will decrease target allocations to U.S. equity, global ex-U.S. equity, emerging market equity and fixed income and add a new 10 percent target for private equity.

■ **Los Angeles County Employees Retirement Association** has invested \$214 million in 22 hedge funds through Goldman Sachs's fund of funds portfolio since May 1, according to an [update](#) from LACERA. A note from James Rice, senior investment officer at LACERA, dated June 29, was included in materials for the July 8 special meeting of the "fixed income/hedge funds/commodities committee and board of investments." The committee is also seeking guidance on postponing an opportunistic non-U.S. fixed income search until after an asset allocation study, scheduled for August.

— Compiled by Nathaniel E. Baker,  
Bloomberg Brief

## FUND NEWS

### Highbridge Seeks Quant Edge With Sentient

Highbridge Capital Management is working with Sentient Technologies, a San Francisco-based technology firm to develop investing strategies using artificial intelligence.

The firms have had talks "regarding the application of our tech to finance and trading," said **Antoine Blondeau**, Sentient's chief executive officer, declining to comment further on the arrangement. The companies are collaborating to design data-analysis software that can spot patterns in financial markets, according to a person familiar with the matter.

Sentient's algorithmically generate trillions of specialized programs, known as agents, using techniques inspired by evolution, according to **Babak Hodjat**, the company's chief scientist.

Sentient raised \$103.5 million last year from a consortium of backers including Tata Communications Ltd. and private investors in industries such as finance,

food and beverage, and real estate.

Highbridge, founded in 1992 by Glenn Dubin and Henry Swieca, sold an ownership stake to JPMorgan Asset Management in 2004. The firm is now led by **Scott Kapnick**. Highbridge has long managed strategies driven by quantitative-models, particularly to bet on mergers and volatility.

A spokesman for Highbridge declined to comment on the collaboration.

— *Simone Foxman and Jack Clark, Bloomberg News*

### APS Stops Redemptions From Two Funds After Rout

APS Asset Management Pte has halted the redemptions in two of its funds after the rout in China's stock market led to the suspension of more than 1,300 companies on mainland exchanges.

The Singapore-based asset management firm stopped redemptions and subscriptions for the APS China A Share Fund and the APS Greater China

Long/Short Fund, it said in an e-mailed statement today.

"A significant proportion of China A-share listed companies have recently suspended trading of their shares, and this unforeseen development makes it difficult to fairly determine" the net asset value of some of APS's funds, the statement said. They remain halted "until the suspension levels come down and the funds' NAV can be fairly determined."

The Greater China Long/Short Fund returned 32 percent this year to July 3, while the China A-share fund returned 23 percent net of fees, APS said.

"We had reduced the gross and net exposures of the fund, especially China, before the meltdown not because we had expected it coming," **Wong Kok Hoi**, founder and chief investment officer of APS, said in an e-mail.

APS had \$3.7 billion of assets in June. The A-share fund and related strategies had assets under management of \$2.9 billion as of July 3. The long-short fund had \$75 million.

— *Klaus Wille, Bloomberg News*

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## ON THE MOVE

### Saba Partner Paul Andiorio Said to Leave

**Paul Andiorio**, a partner at **Saba Capital Management**, is planning to leave Boaz Weinstein's \$1.6 billion firm, according to two people with knowledge of the matter.

His trades have been unwound over the last few months, said one of the people. Andiorio didn't return a telephone message and e-mail seeking comment.

Andiorio worked with Weinstein at Deutsche Bank before Saba was started in 2009. Saba's hedge fund has posted a 3 percent gain in the first six months of this year, one of the people said. A spokesman for New York-based Saba declined to comment.

— Saijel Kishan, Bloomberg News

### 400 Capital Hires Perella Weinberg's Schiavone

**400 Capital Management**, the \$1.6 billion structured credit investment manager, has hired **Chris Schiavone** from Perella Weinberg Partners to become director of special situations investment management, according to a statement.

Schiavone joins from Perella Weinberg's asset management business where he focused on distressed investments, New York-based 400 Capital said in the statement.

Schiavone spent five years at Perella Weinberg, prior to which he worked as a managing director at Bank of America from 2005 to 2009, and as a vice president at J.P. Morgan from 2000 to 2005, according to his LinkedIn page.

400 Capital was started in 2008 by Chris Hentemann and has staff of 38 people.

— Hema Parmar, Bloomberg Brief

### Point72 Hires Nadeem Walji as Macro Money Manager

**Point72 Asset Management**, the investment firm that manages Steven A. Cohen's money, hired **Nadeem Walji** as a macroeconomic money manager.

Walji will work in the New York office of Point72, according to an internal memo obtained by Bloomberg News. He previously worked at Soros Fund Management, Duquesne Capital Management and ran his own hedge fund, the firm said in the memo.

A spokesman for Stamford, Connecticut-based Point72, confirmed the memo's contents and declined to comment further.

— Saijel Kishan, Bloomberg News

### Millennium Said to Hire Ex-JPMorgan's Anderson

Israel Englander's **Millennium Management** hired **John Anderson**, the former co-head of global commodities at JPMorgan Chase, for a new role as global chief of commodities, according to a person with knowledge of the matter.

Anderson will be based in London, said the person. Anderson didn't immediately respond to an e-mail and telephone message seeking comment.

Millennium, the New York-based hedge fund firm that oversees assets of \$30.4 billion, expanded its commodities staff by establishing investment teams for the strategy last year, two people briefed on the matter said in October.

JPMorgan told employees in a June 23 memo that Anderson was leaving. He was picked in May 2014 to run the bank's commodities business with Mike Camacho, replacing Blythe Masters. Camacho will now be the sole chief, according to the memo.

A JPMorgan spokesman confirmed the memo's contents.

— Saijel Kishan, Bloomberg News

### RESEARCH ROUND-UP

■ Multistrategy hedge funds were identified as "a top current allocation, as well as a top strategy for future allocations" in a [survey](#) of U.S. institutional investors by Morningstar and Barron's. The "2014-2015 Alternative Investment Survey of U.S. Institutions and Financial Advisors" was conducted earlier this year to cover the 2014 calendar year and polled 149 institutional investors and 233 advisers. Key findings included institutions "tempering their enthusiasm as a result of fees, lockups and poor transparency in traditional hedge funds," while advisers "exhibit increased enthusiasm for alternatives."

— Nathaniel E. Baker, Bloomberg Brief

■ Short sellers increased their bearish wagers in June to the highest level since the financial crisis, according to data compiled by the New York Stock Exchange. Rising short sales sent a gauge of hedge fund manager bullishness compiled by Evercore ISI down 1.3 percentage points over the past month, putting the measure of short and long exposure close to neutral. In futures tracking the S&P 500, bearish positions outnumber bullish ones by the most in three years. Betting against stocks has been a losing strategy since 2009 as the Standard & Poor's 500 Index rallied more than 200 percent and all but 22 members climbed. The HFRI Short Bias Index of equity hedge funds has fallen in five of the past six years, a performance not seen in 2 1/2 decades of data.

— Lu Wang, Bloomberg News



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## OVER THE HEDGE

### Tepper Aligns With Bush Over Christie in 2016

**David Tepper**, the billionaire co-founder of Appaloosa Management LP, plans to co-chair a fundraiser for Republican presidential contender Jeb Bush later this month on the home turf of rival Chris Christie.

Tepper, a resident of Short Hills, New Jersey, is listed among three-dozen co-chairs of the July 23 fundraiser, according to an invitation obtained by Bloomberg.

Tepper, whose firm manages more than \$20 billion, had worked with Christie in efforts to link teacher evaluations to standardized test scores and overhaul the nation's oldest tenure laws. In 2011, New Jersey's largest newspaper, the Star-Ledger, reported Tepper had put "a lot" of money into the initiative.

Tepper didn't immediately return a telephone message and e-mail seeking comment.

A spokeswoman for Christie, declined to comment in an e-mail.

According to the invitation, those who raise \$27,000 for Bush will be deemed

co-chairs and will get photos with Bush, while also attending two receptions. Those garnering \$13,500 will be deemed co-hosts, and \$2,700 will get a "supporter" into the evening reception.

— Terrence Dopp, Bloomberg News

### Robin Hood Looks to Donors to Fill Jobs

Robin Hood Foundation will start training finance professionals with at least 10 years of experience for full-time senior positions at nonprofit organizations.

The program, called LeaderLink, originated from the difficulty Robin Hood grantees have had filling such roles, even as demand for performance has increased because of reporting requirements, organizational complexity and public scrutiny.

"The last few years, the high-profile financial problems of some high-profile nonprofits have highlighted the need for a competent financial person in these positions," said Deborah Miller Sakellarios, a senior management consultant at Robin Hood.

Some donors and volunteers have already demonstrated interest in switching jobs, often asking staff for informational interviews, Sakellarios said.

Salaries range from \$125,000 to \$175,000 a year and max out at \$250,000, according to Cassie Scarano, chief executive officer of Commongood Careers, the executive search firm running LeaderLink. The pay may not deter Robin Hood candidates, she said.

"I hear a lot, 'I've had a great run, I've made a lot of money, but I need more'" than financial wealth, Scarano said, adding that the program will push executives past platitudes and get them ready for day-to-day work at a nonprofit.

Applications will be accepted over the next few weeks, and a pilot class of 15 will soon begin a five-session course, including a unit on nonprofit accounting taught by the Nonprofit Finance Fund. A yearlong match with a mentor and job-search help are also part of the program.

Robin Hood is covering half the cost of the class, with participants paying \$500.

— Amanda Gordon, Bloomberg News



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## REGULATORY/COMPLIANCE

### Hedge Funds a Holdout in Plan to Prevent Next Lehman

Regulators need help from hedge funds to make sure a bank failure in the future doesn't roil markets the way Lehman Brothers Holdings Inc. did. The problem is hedge funds don't see what's in it for them.

The Federal Reserve, Federal Deposit Insurance Corp. and Bank of England have met with representatives for firms such as **Citadel LLC**, **D.E. Shaw & Co.**, BlackRock Inc. and Pacific Investment Management Co., to try to persuade them to wait before canceling contracts with a collapsing lender, said three people with knowledge of the matter. The purpose is to give regulators more time to resurrect a failed bank so derivative trades and lending arrangements that underpin the global financial system don't have to be terminated. Money managers who account for trillions of dollars of swaps trades are resisting, because they're concerned that giving up their right to quickly kill contracts with a bankrupt firm could stick them with losses and violate a requirement that they act in their investors' best interests.

"What you're giving up is, in many cases, not your own money; it's your client's money," said Darrell Duffie, a finance professor at Stanford University who has studied derivatives markets.

Spokesmen for the Fed, FDIC and Bank of England declined to comment.

"We continue to have serious concerns about efforts to suspend rights that protect customers during U.S. bankruptcy proceedings," said Nick Simpson, a spokesman for the **Managed Funds Association**.

Late last year, regulators resolved the issue for an estimated 90 percent of the swaps market when they persuaded the International Swaps and Derivatives Association to change its legal documents for transactions directly between banks. Under that agreement with the industry's main standard-setter for derivatives, lenders will wait as long as 48 hours before pulling collateral from failed lenders and canceling transactions. The delay, if all goes well, would negate the need to terminate contracts, because the failed firm would return to health. In private discussions, including one last month in New York, regulators have urged big money managers to adopt similar policies, said the people. While the Fed and FDIC lack direct authority to write rules for hedge funds, the agencies plan to use their power over banks to try to get what they want.

The regulators can insist that any contract with a bank be allowed to stand for some period of time during a failure, and they've said they'll propose a rule in the coming months that affects the entire financial industry. The Fed and FDIC's efforts are clashing with current bankruptcy law that allows traders to end deals immediately.

At the New York gathering, regulators made their case again to several dozen lawyers and executives. The June 25 meeting irked some money managers, who felt there wasn't enough discussion about whether it made sense for funds to change their policies, two of the people said. Instead, regulators focused on technical issues for revising financial contracts, the people said. Spokesmen for Citadel, D.E. Shaw, Pimco and BlackRock declined to comment on the meeting.

— Silla Brush and Jesse Hamilton, Bloomberg News

### Tipster Who Ate Post-It Note Avoids Fine in Case

A man accused of aiding an insider-trading scheme by chewing up sticky notes after sharing market-moving information contained on them will avoid paying a fine in settling U.S. Securities and Exchange Commission claims.

Frank Tamayo was a middleman in a scheme involving Steven Metro, a former law clerk at Simpson Thacher & Bartlett, and broker Vladimir Eydelman, the SEC said in a statement on July 13. In exchange for cooperating in the agency's ongoing case against the two men, Tamayo's penalty was limited to disgorging \$1 million in ill-gotten gains and agreeing not to violate anti-fraud and securities laws, the SEC said.

Tamayo would meet Eydelman near a clock in New York's Grand Central Terminal and show him napkins or Post-It notes with the name or stock symbol of a company whose shares were about to go up, according to the SEC's March 2014 complaint. On at least one occasion, he then ate the note, the SEC said.

— Matt Robinson, Bloomberg News

### IRS Fights Hedge Fund Tax Maneuver

A tax strategy once used by the hedge fund **Renaissance Technologies** is attracting a new level of scrutiny from the IRS.

The government on July 8 labeled the "basket options" strategy of converting short-term capital gains and ordinary income into lighter-taxed long-term gains as a "listed transaction." That requires anyone who uses it to declare the maneuvers on their tax returns and imposes penalties for those who don't.

"A listed transaction is, in effect, flagged as a tax shelter by the IRS," said Steve Rosenthal, a senior fellow at the Tax Policy Center who testified about the transactions last year. "They're really sort of the worst of the worst that the IRS trips across."

The notice applies to transactions in effect as far back as 2011.

Renaissance's use of basket options was the subject of a U.S. Senate hearing in 2014. According to the panel's report, Renaissance probably avoided more than \$6 billion in U.S. income taxes over 14 years through transactions with Barclays Plc and Deutsche Bank AG. The transactions allowed Renaissance to claim that it wasn't the owner of securities inside the basket options, whose value would fluctuate based on the value of securities chosen by the hedge fund, the Senate report said.

Last year, Renaissance said it was "comfortable" that its tax treatment was correct and that it expected to prevail in a dispute with the Internal Revenue Service. The firm said then that its decision to use basket options wasn't driven by the tax benefits.

It's not clear whether the IRS and Renaissance have resolved their dispute.

Jonathan Gasthalter, a spokesman for Renaissance, declined to comment. A spokeswoman for Deutsche Bank didn't comment. Andrew Smith, a spokesman for Barclays, declined to comment. As of last year's hearing, both banks had ceased offering the basket options.


— Richard Rubin, Bloomberg News



## HEDGE FUNDS ADDED TO BLOOMBERG THIS WEEK

The following hedge funds were added to Bloomberg's database this week. Access the Hedge Fund Database Portal by typing [HFND](#) on your Bloomberg Terminal. To view U.S. hedge fund managers, users must fill out an Accredited Investor Form and Qualified Purchaser Questionnaires ([HFND3](#)).

TICKER	BLOOMBERG ID	FUND MANAGER	MANAGEMENT COMPANY	OBJECTIVE	MANAGER LOCATION	INCEPTION DATE	PRIME BROKER
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CRAWFON US	BBG009KD4SF7	Isaac Markowitz Jack Herzka	Crawford Lake Capital Management LLC	Long-Short Equity	U.S.	1/1/2006	BTIG
DYNCFL CN	BBG009JHFNX9	Team Managed	Goodman & Co Investment Counsel Inc	Equity Hedge Diversified	Canada	7/12/2005	BMO Nesbitt Burns
GDOF112 BH	BBG009K71NQ2	Team Managed	IIFL Capital Pte Ltd/Singapore	Multistrategy	Singapore	6/29/2015	N/A
MSKFEUR LX	BBG009KC01B6	Makis Kaketsis	MSK Capital Partners LLP	Market-Neutral	U.K.	7/3/2015	Citigroup
STRA1EU NA	BBG009KC2ZH3	Team Managed	Privium Fund Management BV	Multistrategy	Netherlands	5/1/2012	N/A
ROUNDGR KY	BBG009KC9SG3	Jim Allan Edward Barnicke	Roundtable Asset Management Ltd	Long-Biased Equity	Canada	7/1/2015	Scotia Capital



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## SPOTLIGHT

## Ashford's Hays on Why Rising Interest Rates May Not End Real Estate Rally

**Rob Hays**, chief investment officer of **Ashford Investment Management**, spoke with Bloomberg's Simone Foxman about his \$160 million real estate equity-focused strategy. Ashford Investment Management is a division of Ashford Inc., a Dallas-based, publicly-traded hospitality and real estate asset management firm that manages about \$6 billion of assets.

**Q: Tell me about your strategies.**

**A:** We run industry-focused strategies centered on real estate, hospitality and leisure securities. Our strategies are equity-focused, which is unique, as most real estate hedge funds tend to be very credit-focused. There are about 300 names in our universe, totaling \$1.5 trillion of equity market cap. Our strategies are intended to be lower volatility strategies: instead of the 20 percent to 30 percent volatility that has historically occurred in real estate, hospitality and leisure stocks, our strategies target annualized volatility closer to 10 percent to 15 percent.

**Q: What drives your ideas?**

**A:** Names are important, but we really see the value in the understanding where you are in the cycle and the broader fundamentals in real estate. One of the advantages of managing \$6 billion of real estate and hospitality assets across our business lines is that we are able to benefit from real-time intelligence. For example, with our 140 hotels across the country we not only see changes in corporate and consumer spending that have happened, we also see forward bookings for the next week, the next month, the next six months. When the Ebola crisis was happening in September and October, we saw a great opportunity for the end of the year because it wasn't actually impacting fundamentals. We also have real-time data within the capital markets as the two REITs we manage are constantly in the market refinancing debt, issuing equity, and tapping into the preferred markets.

**Q: How do you see markets right now?**

**A:** There are a lot of tailwinds currently in real estate, despite sluggish real estate returns in the first half of the year because of concerns about global growth and interest rates. We think that the macro concerns and interest rates tend to cause short-term freak-outs, but longer-term, real estate in the public markets right now is trading at a solid discount to net asset value with some strong potential upside. While supply is growing as construction financing is increasingly easier to access, from a historical perspective, the supply growth is still relatively sluggish. In addition, the real estate debt markets are healthy but not frothy, which we believe is crucial to support valuations as debt is the lifeblood of real estate.

**Q: What's wrong with the way investors think about interest rates?**

**A:** We've been focusing quite a bit of time on some of the real estate service providers. In the second half of last year, we saw hard asset deal flow really begin to accelerate for a variety of reasons. You're seeing a significant inflow of international capital because you have a lot of foreign entities that are looking to park capital in the U.S. Many of them are fearful of longer-term devaluation of their currencies. Think about South Korea: they're not going to allow a Lexus to be cheaper than a Kia. They're going to be proactive in devaluing their currency. We think the combination of very strong international capital flows, strong supply-demand imbalances for the next few years, a growing economy, and healthy

capital markets are going to continue to drive strong deal flow and revenues for most real estate services businesses.

**Q: How are you short?**

**A:** Real estate sectors tend to be fairly highly correlated with each other. In this part of the real estate up-cycle, where there are good fundamentals and a strong bullish bias across the industry, the odds are stacked against traditional short equity positions, so we prefer to use options to control net exposure. Those options are all shorter-duration. Constantly rolling those allows us to take six-, 12-, or 24-month positions where we can capture significant upside, but mitigate the 5 percent to 10 percent drawdowns that occur very frequently in the real estate space. But as we get deeper into the cycle you'll probably see us put more direct-name shorts because the time will come when you want short exposure in real estate.

**Q: What keeps you awake at night?**

**A:** The broader macro picture. One thing you have to remember in real estate is that fundamentals win in the long run, but short-term macro fears can hit stock prices hard despite great fundamentals. For example, in 2011 and 2012 real estate fundamentals were great, but the industry still had 20 percent drawdowns based upon European debt fears. That's why we run our strategies to capture long-term real estate returns, while being very proactive from a risk management perspective — to withstand the elevated volatility that inevitably comes with the sector.

## AT A GLANCE

**Age:** 38**Hometown:** Dallas**Education:** Bachelors in politics from Princeton University**Professional background:** Merrill Lynch, Ashford**Family:** Married, five children**Favorite sport:** Golf**Favorite sport teams:** Dallas Cowboys, Texas Rangers, Arsenal FC**Favorite restaurant:** Noma, Copenhagen**Hobbies:** "Who has time for hobbies? I have five kids."**Mentor:** "My father is a remarkable entrepreneur who would ask me business questions as a kid. Much of who I am today is due to him."

July 14, 2015

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## CALENDAR TO SUBMIT AN EVENT E-MAIL HEDGEBRIEF@BLOOMBERG.NET

The "organizer" and "event" columns link to websites, where available. "Attendees of note" links to the individual's BIO page, where available, on the Bloomberg terminal. This functionality may be limited to terminal users viewing the Brief in Chrome browsers.

DATE	ORGANIZER	EVENT	SPEAKERS/ATTENDEES OF NOTE	LOCATION
July 20-22	<a href="#">Opal Financial Group</a>	<a href="#">Public Funds Summit East</a>	Announced to attendees.	Newport Marriott
July 22	<a href="#">Education Reform Now</a>	<a href="#">6th Annual Take 'Em To School Poker Tournament</a>	Guest player <a href="#">David Einhorn</a> . Event chairs include <a href="#">Whitney Tilson</a> . Event committee includes <a href="#">Jason Mudrick</a> .	Gotham Hall, New York
July 23	BofA Merrill Lynch	The Long Game: Investing in Uncertain Times. A Global Macro Forum	Managers to be announced to attendees.	New York
July 27	<a href="#">New York Hedge Fund Roundtable</a>	<a href="#">Roundtable with Michael A. Gould-Wartofsky</a>	Michael A. Gould-Wartofsky, author of "The Occupiers."	New York
July 27	<a href="#">Sovereign Wealth Fund Institute</a>	<a href="#">Asset Owner Conference</a>	<a href="#">Yuan Zhou</a> , China Investment Corp.; <a href="#">Fabio Scacciavillani</a> , Oman Investment Fund.	Conrad Hotel, New York
July 29	Alternative Asset Events	<a href="#">Liquid Alpha Summit</a>	One-on-one meetings with investors. Speakers to be announced.	University Club, New York
July 29	<a href="#">BNP Paribas Investor Capital Services</a>	Multi-Manager Luncheon	<a href="#">Daniel Barker</a> , Apis Capital; <a href="#">Barry Lebovits</a> and <a href="#">Joshua Kuntz</a> , Rivulet Capital; <a href="#">Larry Sapanski</a> , Scoria Capital.	New York
July 29	<a href="#">Hedge Funds Care</a>	<a href="#">New York Young Professionals Summer Benefit</a>	TBD	Attic Rooftop and Lounge, New York
July 30	<a href="#">100 Women in Hedge Funds</a>	<a href="#">Cocktails on the Roof</a>	TBD	EPIC Restaurant, Chicago
Aug. 4	<a href="#">New York Hedge Fund Roundtable</a>	<a href="#">Roundtable with Joseph Stiglitz</a>	<a href="#">Joseph Stiglitz</a> to speak on "The Great Divide: Unequal Societies and What We Can Do About Them."	New York
Aug. 17-18	<a href="#">BNP Paribas Investor Capital Services</a>	Fifth Annual Southeast Hedge Fund Forum	Managers announced to participants. E-mail <a href="mailto:investorcapitalservices@us.bnpparibas.com">investorcapitalservices@us.bnpparibas.com</a> for more information.	Durham, North Carolina
Aug. 18-21	<a href="#">World Pension Forum</a>	<a href="#">Summer Summit: Investment in a Changing World</a>	<a href="#">Dan Slack</a> , Fire and Police Pension Association of Colorado; Tom Viezer, North Carolina Retirement System.	Aspen Meadows Resort, Aspen, Colo.
Sept. 1	<a href="#">Markets Group</a>	<a href="#">Hedge Fund Texas Investor Forum</a>	<a href="#">Anthony Curtiss</a> , ERS of Texas; <a href="#">Justin Pawl</a> , Covenant Multi-Family Offices; <a href="#">Gregory Brunt</a> , Houston Municipal Employees Pension.	Austin, Texas
Sept. 4	Goldman Sachs	Credit and Event-Driven Hedge Fund Forum	Managers to be announced to attendees.	New York

**DISCLAIMER:** The information on this page was compiled by Bloomberg from multiple sources, public and private, and is deemed to be accurate, but not definitive or exhaustive. Questions about events should be addressed to the event organizer.

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  </snapshots>
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